
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Redevelopment Agency (RDA) FY 2010 Budget Adoption

Budget Process Reform for Independent Agencies

City oversight of the Redevelopment Agency Budget was strengthened this year through a City directive to the RDA, the Centre City Development Corporation (CCDC) and the Southeastern Economic Development Corporation (SEDC) to provide budget information consistent with all other City departments; implementation of a new technical budget review process conducted by the City's Financial Management Department; and incorporation of the Redevelopment Agency Budget into the City's regular budget hearing process resulting in a two- step review process at the legislative level for the first time. These budget reforms are vital to ensuring a robust review of the budgets of the City's independent agencies. We recommend that further improvements be made to the process such as advancing budget reviews by the agency boards to align more closely with the City's budget review and hearing process.

Repayment of CDBG Loans

As discussed at the budget hearing on May 7, the Redevelopment Agency's FY 2010 Proposed Budget does not assume repayment of Community Development Block Grant (CDBG) loans to the City of San Diego which total \$18.4 million for the RDA, \$93.0 million for CCDC and \$51.0 million for SEDC. Negotiations between the City and Housing and Urban Development (HUD) to establish an acceptable repayment plan, led by Jay Goldstone, COO on the City side, have been underway for several months. At the May budget hearing Janice Weinrick, RDA Director, noted that she expects resolution between HUD and the City on this matter in late June or early July. Once an agreement

has been reached, the Agency will bring forward a repayment plan to the City Council and the Redevelopment Agency for review and consideration. Council may want to request an update during the budget discussion on Tuesday.

Recap of Issues Discussed at the May 7th Budget Hearings

Redevelopment Agency (RDA) Budget

- In recognition of the need to increase financial and budget expertise within the Agency, the FY 2010 budget provides funding to create a Finance Section through the addition of a Financial Operations Manager and a Senior Management Analyst at an annual cost of \$261,106.
- The proposed budget is based on the Agency staff fully complying with the 6 % salary and benefit reductions consistent with the outcome of recent labor negotiations.
- Upon reaching an agreement with HUD on CDBG loan repayments as discussed above, the Agency Budget will need to be amended accordingly.
- Redevelopment Agency staff conducted a comprehensive review of alternative organizational models for the RDA and solicited input from the Redevelopment Agency throughout FY 2008. The status of this issue was raised at the budget hearing by Councilmember Faulconer who requested an update be provided at an upcoming Rules Committee meeting. Ms. Weinrick indicated that there was no work underway at this time due to several issues that have surfaced making a proposed reorganization very challenging.
- Education Revenue Augmentation Fund (ERAF) Update - On April 28, 2009, the Redevelopment Agency approved amending the Agency's FY 2009 Budget in order to make an \$11.5 million one-time payment into the ERAF pursuant to Assembly Bill 1389. On February 9, 2009, the California Redevelopment Association (CRA) filed for an action against the State asking for relief from the ERAF payments. On May 7, 2009, Superior Court Judge Lloyd G. Connelly found in favor of the CRA. Shortly thereafter the State filed notice that it would appeal the Superior Court decision. According to the RDA Director, the State's attorney has said no effort will be made to stay the lower court judge's decision to permit agencies to withhold payments to ERAF that would been due on May 10, 2009. The City's RDA payment is on hold pending further decision on this matter.

Center City Development Corporation (CCDC) Budget

- The FY 2010 budget eliminates several positions including the Vice President-Real Estate; an Assistant Vice President-Architecture and Planning; External Relations Coordinator; and a Senior Planner. The duties of the two Vice Presidents will be absorbed by existing management staff.
- While the budget has been reduced on a total basis in the area of salaries and benefits for FY 2010, the budget does not reflect a 6% salary and benefit reduction for every employee. The budget does not reflect any future merit increases and current year increases also were not taken.
- The budget includes \$11.3 million payment to the City for bond debt service related to PETCO Park. This payment was increased from \$7.5 million to \$11.3 million in the current year during First Quarter budget adjustments. Similar payments are scheduled annually through FY 2013.
- The performance audit for CCDC being conducted by Sjoberg Evashenk is expected to be issued at the end of the month.
- The CCDC Budget will also need to be amended upon resolution with HUD regarding CDBG loan repayments owed to the City.
- In response to a March request from Councilmember DeMaio, which he reiterated at the budget hearing, CCDC staff provided a letter to the Redevelopment Agency dated May 26, 2009 outlining the process and pros and cons of moving forward with an amendment to the Centre City Redevelopment Plan to increase the Tax Increment Limit "CAP" to allow for the completion of eliminating blight in the Centre City Redevelopment Area.
- In a change from FY 2009, the FY 2010 budget converts \$13.3 million in funds previously earmarked for the design and construction of "Two America Park Design and Construction" to "Park Improvements." CCDC staff has clarified that these funds will be used for construction costs related to other park projects already underway.

Southeastern Economic Development Corporation (SEDC) Budget

- The FY 2010 Proposed Budget addresses a number of recommendations included in the Macias Consulting Group performance audit issued in September 2008 including:
 - The position of Chief Financial Officer has been included in the Proposed Budget. This position was filled in February 2009.
 - A Manager of Projects position has been included in the proposed budget. This position was filled in February 2009.

- A Human Resources Manager has been included in the FY 2010 Proposed Budget. SEDC is currently recruiting for this position.
- While the budget has been reduced on a total basis in the area of salaries and benefits for FY 2010, the budget does not reflect a 6% salary and benefit reduction for every employee, nor does the budget reflect any merit increases.
- 4.00 positions are eliminated to offset the cost of the new positions added as a result of the performance audit. The eliminated positions include 1.00 Director of Finance, 1.00 Community Relations Manager, 1.00 Senior Project Manager, and 1.00 Research Coordinator.
- The SEDC Budget will also need to be amended upon resolution with HUD regarding CDBG loan repayments owed to the City.

Conclusion

The IBA recommends Redevelopment Agency adoption of the FY 2010 RDA budget once outstanding issues of concern are thoroughly vetted at the meeting on Tuesday.

[SIGNED]

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